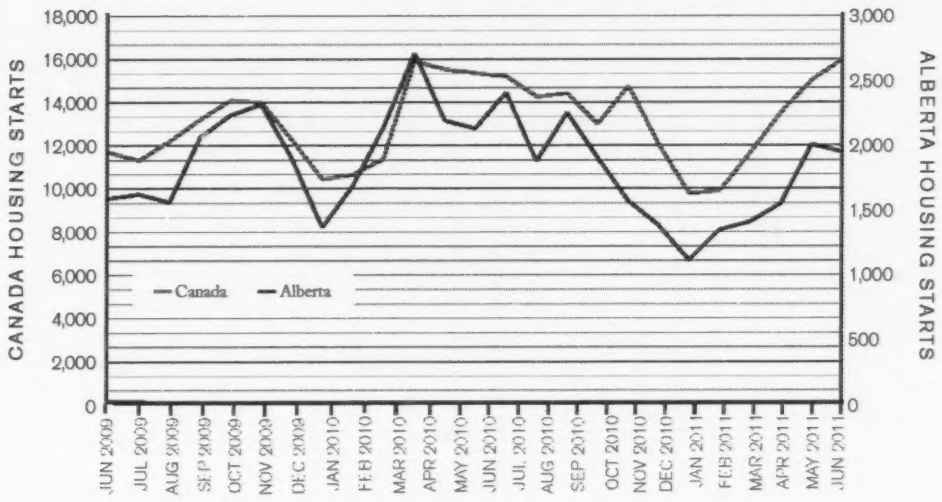
Housing Bulletin Monthly Report

ALBERTA HOUSING STARTS SLIP in JUNE

Preliminary Housing Starts in Alberta* and Canada*, June 2009 to June 2011



* Data reflects centres with a population of 10,000 and over.
Source: Canada Mortgage and Housing Corporation

- In June 2011, Canada's total preliminary housing starts increased 6 per cent over May 2011, and increased 4 per cent year-over-year from June 2010.
- Across Alberta, preliminary June 2011 housing starts declined 3 per cent month-over-month from May 2011. Year-over-year, housing starts decreased 9 per cent from 2,130 units in June 2010 to 1,947 units in June 2011.
- According to Canada Mortgage and Housing Corporation, while housing starts have been above their trend line since March 2011, they are expected to move back towards levels consistent with demographic fundamentals in the near term.

ISSUE HIGHLIGHTS

Mortgage Arrears
Alberta mortgage arrears drop in April 2011.
Page 2

Migration
Alberta's First Quarter net migration highest in 5 years.
Page 4

Unemployment
Unemployment rate down in most Alberta regions.
Page 6

The Bank of Canada is expected to resume raising its key overnight lending rate later this year, which will cause mortgage interest rates to rise (CBC CANADA).

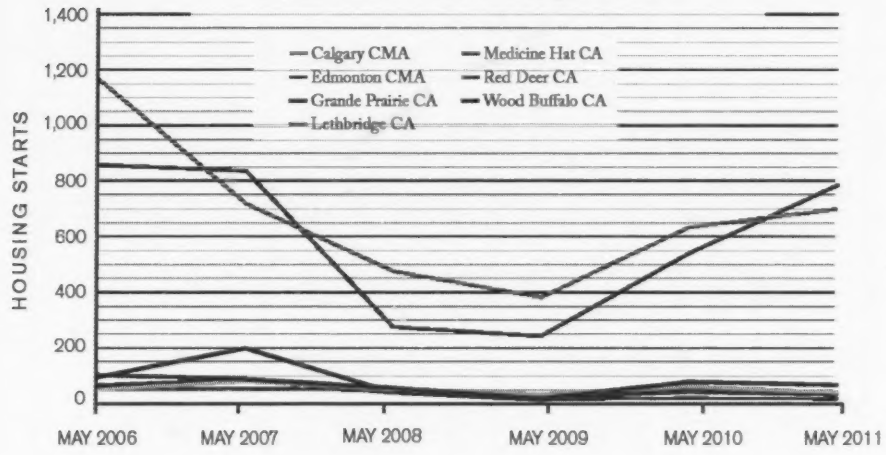
Canada's housing market has hit a peak and will likely slow in the next 6 months (ROYAL LEPAGE)

Housing Starts Here

Government of Alberta
Housing and Urban Affairs

SINGLE-DETACHED HOUSING STARTS STRONG in CALGARY and EDMONTON

Actual Housing Starts - Single-Detached
(May Year-Over-Year 2006-2011)

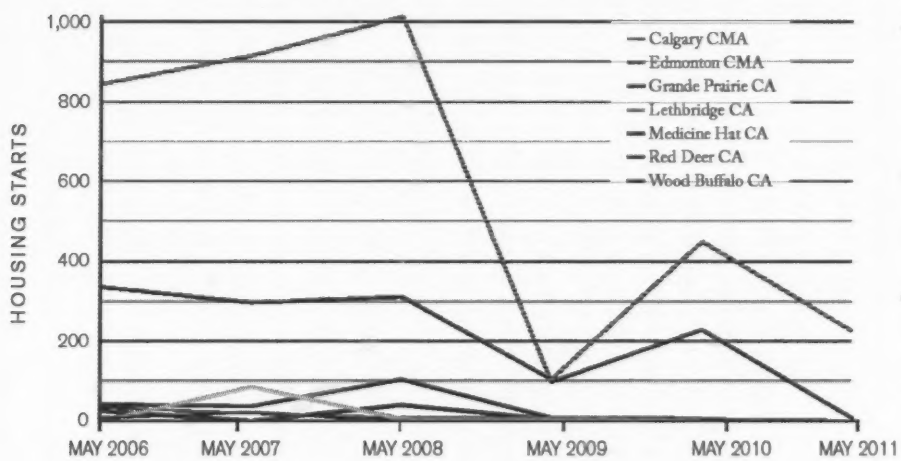


- In May 2011, total single-detached housing starts rose across Alberta, averaging an increase of 17.2 per cent year-over-year from May 2010.
- From May 2010 to 2011, single-detached housing starts fell in Red Deer (37.7 per cent), Lethbridge (33.3 per cent), Wood Buffalo (20.9 per cent), Grande Prairie (13.9 per cent) and Medicine hat (10.0 per cent).
- The only centres to experience a year-over-year increase in single-detached housing starts in May 2011 were Calgary (10.3 per cent) and Edmonton (45.2 per cent).

Source: Canada Mortgage and Housing Corporation

MULTI-FAMILY HOUSING STARTS DOWN ACROSS ALBERTA

Actual Housing Starts - Multi-Family Dwellings
(May Year-Over-Year 2006-2011)



- In May 2011, multi-family housing starts decreased across Alberta's major centres year-over-year, with the exception of Grande Prairie, which remained unchanged at 0 units built.
- In Edmonton, multi-family housing starts totalled 225 units in May 2011, representing a decline of 49.9 per cent from the 449 units built in May 2010.
- In Calgary, multi-family housing starts totalled 8 units in May 2011, a 96.5 per cent decrease from the 228 units built in May 2010.

Source: Canada Mortgage and Housing Corporation

construction sector (CIBC WORLD MARKETS). The decline in residential housing starts is consistent with our call for a deceleration in the Canadian housing construction sector (CIBC WORLD MARKETS). The decline in residential

LISTINGS are DOWN but SALES are UP in the EDMONTON RESALE MARKET

Year-to-Year Comparison of Housing Resale Activity in Edmonton in the Month of June

	AVERAGE PRICE							
	Single-Family Dwelling	Condominium	Duplex/ Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year-to-Date Sales to Listings Ratio
Jun 06	$300,082	$187,800	$238,054	23	2,444	2,148	87	91
Jun 07	$419,965	$267,113	$342,920	24	4,958	2,077	41	64
Jun 08	$383,062	$261,804	$311,782	54	3,952	1,810	45	39
Jun 09	$370,317	$247,733	$289,838	51	3,147	2,448	77	56
Jun 10	$391,497	$242,644	$306,905	47	3,473	1,539	44	46
Jun 11	$379,409	$231,853	$296,690	53	3,260	1,768	54	50

- The average price of a single-family dwelling in Edmonton decreased by 3.1 per cent from June 2010 to June 2011. The same downward trend was found in the condominium (-4.4 per cent) and multi-family (-3.3 per cent) sectors.
- Residential listings in June 2011 declined 6.1 per cent year-over-year from June 2010, while sales rose 14.9 per cent.
- A home sat for sale on Edmonton's market for an average of 53 days in June 2011, a year-over-year increase of 6 days from June 2010.

Source: Realtors' Association of Edmonton

FEWER HOMES AVAILABLE on CALGARY'S RESALE MARKET

Year-to-Year Comparison of Housing Resale Activity in Calgary in the month of June

	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market
Jun 07	$496,890	4,443	3,313	1,757	29	$323,269	1,438	1,253	792	28
Jun 08	$473,774	6,543	2,787	1,439	46	$315,042	3,093	1,234	556	51
Jun 09	$447,142	3,395	2,244	1,837	44	$285,595	1,744	927	738	51
Jun 10	$481,964	5,991	2,733	1,061	39	$292,238	2,626	1,084	445	46
Jun 11	$479,580	4,744	2,424	1,398	43	$296,501	2,023	958	581	53

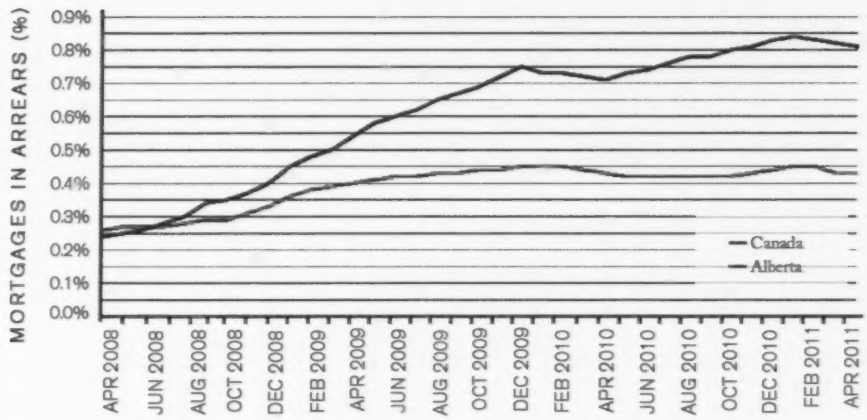
- The number of single-family homes sold in June 2011 in Calgary increased 31.8 per cent compared to June 2010, while prices decreased slightly by 0.5 per cent.
- Listings for single-family Calgary homes fell 11.3 per cent year-over-year from June 2010.
- On average, a single-family home sat on Calgary's market for 43 days in June 2011, up 10.3 per cent from June 2010.
- Condominium sales rose by 30.6 per cent in June 2011, the largest increase in condominium sales reported since March 2010. Calgary Real Estate Board noted that strong monthly increases do not imply a housing boom, as it is important to put into perspective that sales activity remains below long-term averages.

Source: Calgary Real Estate Board

Calgary's residential real estate market has experienced a "modest" year-over-year decline but prices are expected to rise in the second half of the year (ROYAL LEPAGE). Calgary's re

MORTGAGE ARREARS in ALBERTA DROP SLIGHTLY

Per cent of Total Mortgages in Arrears
Alberta* vs. Canada (April 2008 to April 2011)

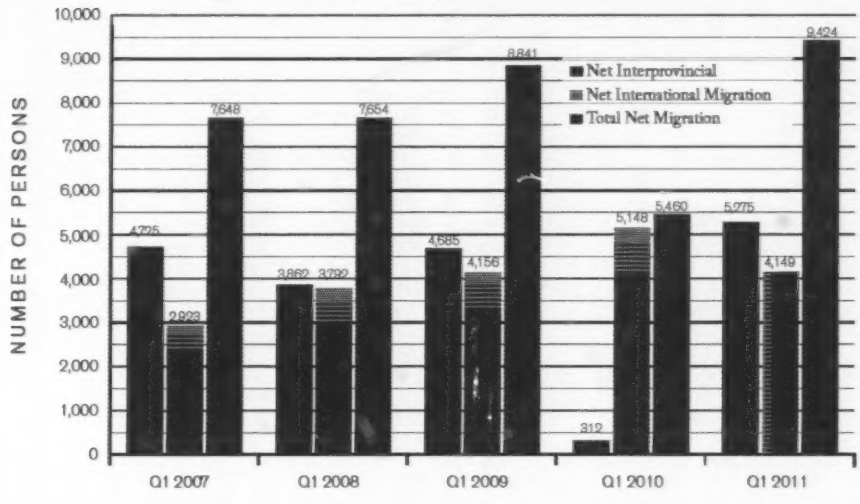


* Data for Northwest Territories and Nunavut are included in Alberta.
Source: Canadian Bankers Association

- Across Canada, mortgage arrears remain less than half of one per cent. As of April 2011, 0.43 per cent of mortgages in Canada were in arrears.
- This is the third consecutive month that mortgage arrears have declined in Alberta, after peaking at 0.84 per cent in January 2011.
- Year-over-year however, 0.81 per cent of mortgages were in arrears in April 2011, compared to 0.71 per cent in April 2010.
- According to CIBC, while household debt is still rising faster than income, it is not rising faster than assets. The net worth position of Canadians has improved in the first quarter of the year in absolute terms and relative to income.

ALBERTA ONCE AGAIN a MAGNET for INTERPROVINCIAL MIGRATION

Migration Trends in Alberta Q1*2007 to Q1*2011



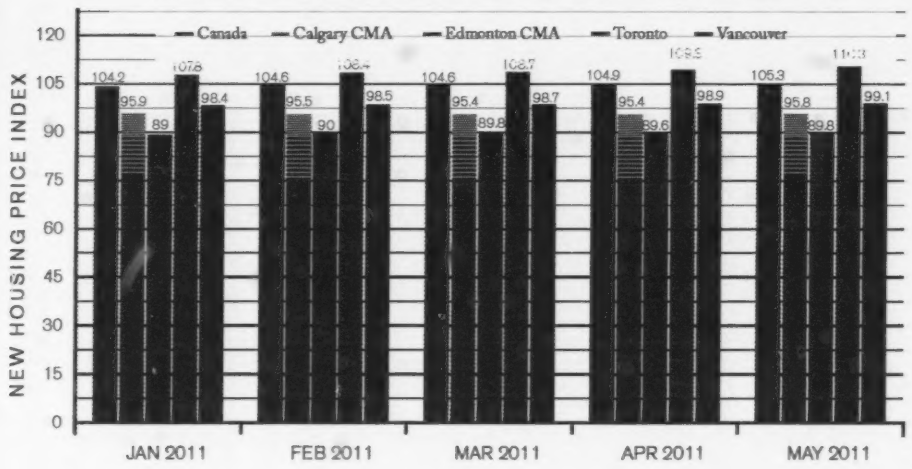
*Q1 = January to March
Source: Alberta Finance and Enterprise

- In the first quarter of 2011, Alberta saw a net gain of 5,275 interprovincial migrants, a significant jump from one year prior, when Alberta received a net gain of only 312 newcomers from other provinces.
- Alberta received a net total of 4,149 international migrants in quarter one of 2011, a year-over-year decrease of 19 per cent over quarter one 2010.
- Alberta's quarter one 2011 total net migration is the highest it has been in five years, up 73 per cent compared to quarter one 2010.
- The job market remains one of Alberta's key drivers of in-migration. According to Alberta Employment and Immigration, Alberta could face a shortage of 77,000 workers over the next ten years.

Here in Alberta, where the two biggest drivers in residential real estate are oil patch activity and the level of in-migration, all signs point to another housing boom starting in 2012 (ROHIT GROUP). Here in

NEW HOMES in CALGARY and EDMONTON are MORE AFFORDABLE than CANADIAN AVERAGE

New Housing Price Index Year-To-Date 2011* (2007=100)



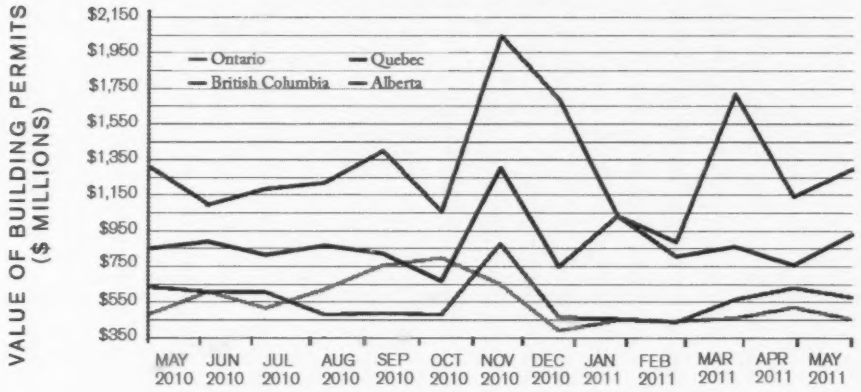
- New Housing Price Index (NHPI) measures changes over time in the selling prices of newly built residential houses, where detailed specifications pertaining to each house remain the same between two consecutive periods. The NHPI is used to track events and trends in this important component of the construction sector.
- From January 2011 to May 2011 the NHPI increased by 1.1 per cent across Canada, and by 1.9 per cent year-over-year from May 2010.
- The NHPI in the Edmonton and Calgary Census Metropolitan Areas sat below the national average (105.3) at 89.8 per cent and 95.8 per cent, respectively.
- Year-over-year from May 2010, the NHPI remained stable in Calgary and increased slightly by 0.7 per cent in Edmonton. Toronto saw the largest increase in NHPI year-over-year and remains well above the national average (110.3 per cent), increasing 4.3 per cent from May 2010.

* Total value includes land and house.

Source: Statistics Canada

VALUE of ALBERTA RESIDENTIAL BUILDING PERMITS DROPPED in MAY 2011

Value of Residential Building Permits May 2010 to May 2011

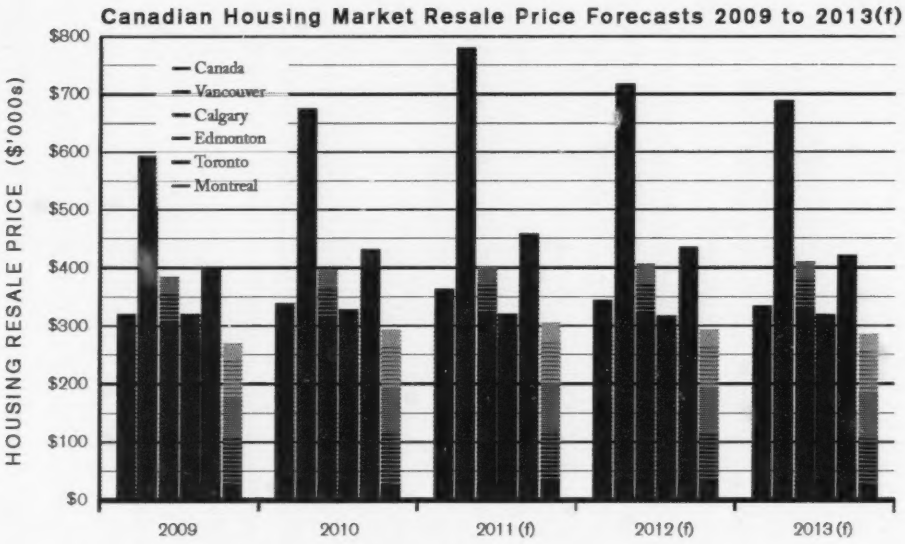


Source: Statistics Canada

- Residential permits issued in Alberta in May 2011 totalled $577.3 million, a decline of 8.2 per cent over April 2011. Year-over-year, the value of residential permits fell 9.0 per cent.
- The value of residential building permits saw a year-over-year increase in Quebec (9.2 per cent), while declining in Ontario (0.7 per cent) and British Columbia (6.4 per cent).
- ATB Financial attributes the decline in permit values to residual inventory from the previous housing boom. Although this inventory overhang will be absorbed in the near future, residential construction will probably remain on the slow side for much of this year.

Fiscal retrenchment and a cooler housing market will slow the construction in the Canadian housing sector this year, though activity in the resource patch should remain healthy (BMO CAPITAL MARKETS).

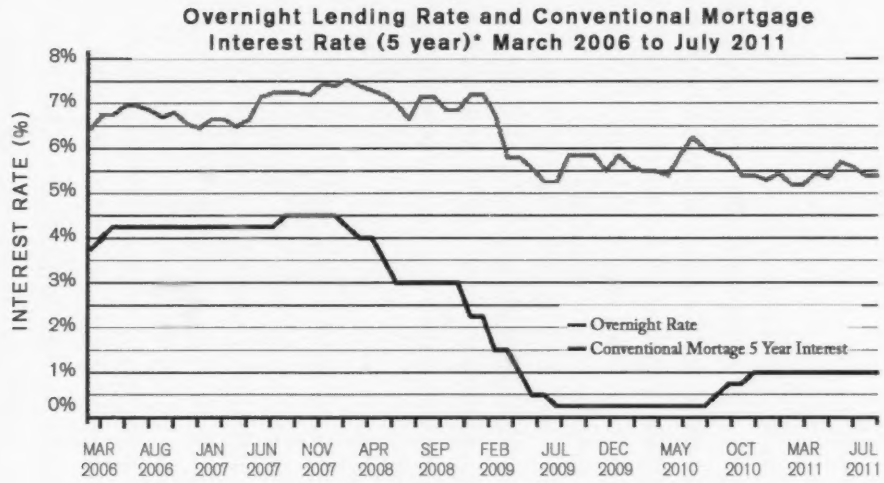
ALBERTA'S RESALE MARKET to REMAIN STRONG WHILE the REST of CANADA'S COOLS



Source: TD Economics and Canadian Real Estate Association

- According to TD Economics, Canada's housing market appears set for a moderate correction, with average resale prices projected to decline by 8.1 per cent from a forecasted peak of $363,700 in 2011, to $334,100 by 2013.
- In Edmonton, average resale prices are forecast to decline slightly by 0.12 per cent between the 2011 peak and 2013 trough. According to TD Economics, a housing market correction has already taken place in Edmonton, placing it in a more balanced position.
- Calgary is forecast to outperform all other regions, with housing prices increasing 1.2 per cent from an average of $403,700 in 2011 to $410,500 in 2013. Higher income growth, increasing net in-migration and steady commodity prices are expected to support housing demand into 2013 resulting in a moderate increase in resale house prices.

MORTGAGE RATES HOLDING STEADY



Source: Bank of Canada

Note: The rates shown are the most typical of those charged by the major chartered banks on residential five-year mortgages, on the last Wednesday of the month.

- The target for the overnight lending rate is the main tool used by the Bank of Canada to conduct monetary policy. When the Bank changes the target for the overnight rate, this change usually affects other interest rates, including mortgage rates and prime rates charged by commercial banks.
- While the Bank of Canada elected to hold the line steady at one per cent in July 2011, they signalled that rates could begin to climb later this year.
- According to BMO Economics, interest rates are likely to increase in October 2011 and again in December 2011, before pausing next summer. This would leave the Bank of Canada's benchmark rate at 2.5 per cent by the end of 2012, meaning Canadians would benefit by looking for ways to reduce debt before rates go up.

Stricter mortgage rules and declining affordability appear to be taking momentum out of housing prices, a trend that could continue if the Bank of Canada resumes its tightening campaign in the fall (BMO NESBITT BURNS INC).